

Internal Revenue Service

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Department of the Treasury
Washington, DC 20224

Third Party Communication: None

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Person To Contact:

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PLR-122755-13

Date:

October 28, 2013

Legend:

Taxpayer =

Sub1 =

Sub2 =

Seller =

Target =

Pship =

Trust =

Date A =

Date B =

a =

b =

c =

d =

e =

f =

g =

h =

i =

j =

k =

l =

Dear :

This letter is in response to your May 14, 2013, request for rulings on the federal income tax consequences of a proposed transaction that has been partially completed. The information submitted in that request and in later correspondence is summarized below.

The rulings contained in this letter are based upon facts and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. This office has not verified any of the materials submitted in support of the request for rulings. Verification of the information, representations, and other data may be required as part of the audit process.

Summary of Facts

Taxpayer is a corporation and the common parent of an affiliated group of corporations that files a consolidated federal income tax return. Taxpayer indirectly owns all of the issued and outstanding common stock of Sub1, a foreign corporation. Sub1 owns Sub2. Sub2 is a foreign entity that is disregarded as separate from its owner for federal income tax purposes.

Prior to the proposed transaction, Target was wholly owned by Seller, a third party. Target is an entity that was disregarded as separate from its owner for federal income tax purposes. Target owned h percent of Pship, a partnership for federal income tax purposes, and Trust owned the remaining i percent. Pship, directly and indirectly through one or more disregarded entities, owned all of the common stock of multiple foreign corporations ("Foreign Corporate Subsidiaries").

On Date A, Taxpayer entered into an agreement (the "Agreement") with Seller and Target to purchase f percent of the ownership interests in Target for cash of \$a and Taxpayer common stock of b shares. Under the Agreement, Taxpayer also acquired the right to purchase the remaining g percent ownership interest in Target (the "Call Option") (together, the purchase of the f percent ownership interest and the Call Option are referred to as the "Step One Acquisition"). The Call Option is exercisable in whole, but not in part, during a k month period beginning l months after the closing of the Step One Acquisition.

The Step One Acquisition closed on Date B. To effect the deemed acquisition by Sub1 of the f percent ownership interest in Target, Taxpayer contributed cash and Taxpayer common stock through the ownership chain to Sub2, which paid Seller for the purchase of the f percent ownership interest.

Pursuant to the Agreement and immediately prior to the Step One Acquisition, Seller caused the Trust to exchange f percent of its i percent interest in Pship for a new ownership interest in Target. The new ownership interest in Target acquired by the Trust was part of the f percent ownership interest in Target purchased by Sub2 in the Step One Acquisition. Pursuant to the Agreement, upon exercise of the Call Option, Seller will cause the Trust to exchange its remaining j percent interest in Pship for a new ownership interest in Target. The ownership interest in Target acquired by the Trust will be part of the g percent ownership interest to be purchased by Taxpayer upon exercise

of the Call Option (the "Step Two Acquisition") (together, the Step One Acquisition and the Step Two Acquisition are referred to as the "Transaction").

Taxpayer incurred and paid legal fees of \$c and investment banking fees of \$d, for a total of \$e upon the closing of the Step One Acquisition. Additional banker and legal fees will be payable upon the closing of the Step Two Acquisition.

Representations

The taxpayer makes the following representations regarding the Transaction:

(a) Target and Pship were "eligible entities" within the meaning of §301.7701-3 prior to and at the time of the Step One Acquisition, and will be eligible entities at the time of the Step Two Acquisition.

(b) Target has been treated as a partnership for federal income tax purposes since the closing of the Step One Acquisition.

(c) Since the closing of the Step One Acquisition, the f percent ownership interest in Target has been treated for federal income tax purposes as held by Sub1.

(d) After Taxpayer gives notice to exercise the Call Option, Seller will cause the Trust to exchange its i percent interest in Pship for an ownership interest in Target such that for federal income tax purposes, Pship will become disregarded as an entity separate from its owner Target, and Target will own all of the issued and outstanding common stock of the Foreign Corporate Subsidiaries.

(e) In the Step Two Acquisition, the remaining g percent ownership interest in Target will be acquired pursuant to the exercise of the Call Option by Sub1 (or by one or more disregarded entities of Sub1) which will own an f percent ownership interest in Target immediately prior to the Step Two Acquisition. Thus for federal income tax purposes, immediately after the closing of the Step Two Acquisition, Target will be disregarded as an entity separate from its owner Sub1, and Sub1 (or one or more disregarded entities of Sub1) will own all the issued and outstanding common stock of the Foreign Corporate Subsidiaries.

Rulings

Based solely upon the information and representations submitted, we rule as follows regarding the Transaction:

(1) For purposes of section 1563(e)(1), the Call Option is characterized as an option to acquire a g percent interest in the stock of each of the Foreign Corporate Subsidiaries.

(2) As a result of the Call Option, Taxpayer and each of the Foreign Corporate Subsidiaries are related, within the meaning of section 267(b)(3), immediately after the closing of the Step One Acquisition, and thus, the Step One Acquisition is a "covered transaction" within the meaning of § 1.263(a)-5(e)(3)(ii) with respect to each of the Foreign Corporate Subsidiaries.

Caveats

Except as specifically provided herein, we express no opinion concerning the tax consequences of any aspect of any matter or item discussed or referenced in this letter. Moreover, no opinion is expressed about the tax treatment of the Transaction or of any other matter under other provisions of the Code or regulations or about the tax treatment of any conditions existing at the time of, or effects resulting from, the Transaction not specifically covered by the above rulings.

Procedural Statements

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) of the Internal Revenue Code provides that it may not be used or cited as precedent. A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of this letter ruling.

In accordance with the power of attorney on file with this office, copies of this ruling letter are being sent to your authorized representatives.

Sincerely,

Grid Glyer
Assistant to the Branch Chief, Branch 4
Office of Associate Chief Counsel (Corporate)